

TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: General- RFP for General Consultant

ITEM NUMBER: 7

ATTACHMENT(S): 2

ACTION: X

DATE OF MEETING: October 7, 1998

INFORMATION:

PRESENTER(S): Mr. Mitchell

EXECUTIVE SUMMARY

The contract for the general pension consultant (Pension Consulting Alliance) expires in April 1999. The following objective for the Investment Branch was approved for the 1998-99 fiscal year: "The contract for general consultant is scheduled to expire April 30, 1999. A request for proposal (RFP) process for the consultant should be completed unless an extension to the existing contract is contemplated."

The general consultant RFP describes the role of the general consultant and the services to be provided with respect to the entire portfolio. Staff proposes that the fee schedule be submitted using both the "bundled and unbundled" format. The Teachers' Retirement Board (Board) can determine the "best" method for fees to be calculated after the final selection process is completed. Detailed information regarding the RFP provided in Attachment 1 includes:

1. Timeline for the RFP
2. Purpose of the RFP
3. Services to be Provided
4. Minimum Qualifications
5. Fee Structure
6. Proposal Evaluation Criteria

As with previous RFPs, it is proposed that the contract participation goal requirement for Disabled Veterans Business Enterprise be required after the final selection process is completed. Upon submission of proposals to the California State Teachers' Retirement System (STRS), all proposers will be required to execute a certification confirming their intent to submit the necessary documentation to STRS in the event they are selected. The successful proposer will be required to submit documentation substantiating compliance with the goal prior to the final execution of their contract.

The staff requests direction from the Board on the appropriate level of involvement during the evaluation of RFP responses, semi-finalist interviews, and finalist interviews.

RECOMMENDATION

Staff is recommending that certain elements of previous RFPs also be incorporated in this search. The following is recommended:

1. Release the Request for Proposal as described in Attachment 1.
2. Use of open ended contracts (Evergreen contracts).

STATE TEACHER'S RETIREMENT SYSTEM
REQUEST FOR PROPOSAL

GENERAL PENSION CONSULTANT

I. INTRODUCTION

The California State Teachers' Retirement System (STRS) administers an investment portfolio with approximately \$88 billion in assets. As of June 30, 1998, the assets were invested as follows: \$36.0 billion in domestic equities; \$18.5 billion in international equities; \$2.6 billion in global; \$26.0 billion in fixed income securities; \$2.1 billion in real estate; \$2.0 billion in alternative investments; and \$1.1 billion in cash reserves. To complement the Investment Management Plan and to assist the Teachers' Retirement Board (Board) in making prudent investment management decisions, expert pension investment consulting services are desired.

II. PURPOSE

Pursuant to Education Code 22352, STRS is seeking a qualified firm to provide general pension consulting services for domestic and international investments. The objective of this Request for Proposal (RFP) is to provide long-term investment strategies to the Board.

III. SERVICES TO BE PROVIDED

Under the direction of the Board or designee, the services to be provided by the firm shall include, but not limited to, the following:

A. General

1. Prepare and present reports reviewing and updating STRS' investment policy, criteria, and objectives which include strategies for public (fixed income and equity) and private (real estate and alternative investments) markets. This would include strategies for domestic and international investments.
2. Provide written recommendations for amendments and/or modifications to STRS' Investment Management Plan and portfolio structure as warranted by changes in the marketplace. Provide justification for recommendations.
3. Provide information on investment managers/advisors including their philosophies, styles, fees, portfolio characteristics, firm characteristics, performance, and client base. The information should be available for a wide range of investment services including domestic and international

equity, fixed income, private equity, real estate, and other specialties, including, but not limited to options and futures managers.

4. Assist the Board in establishing appropriate performance benchmarks.
5. Provide performance measurement and evaluation reports from information obtained from STRS' Master Custodian on the total portfolio.
6. Provide input on all components of the investment portfolio as requested by the Board.
7. Attend the meetings of the Investment Committee of the Teachers' Retirement Board and other meeting as required.
8. Research and make recommendations for use of potential strategies contemplated by the Board.

B. Asset Allocation

1. Provide continuous review of investment policy, portfolio mix, and investment strategy relative to changes in the capital markets and structures of similar retirement systems.

C. Manager Search and Selection

1. Participate in Request for Proposal processes as requested by the Board.

D. Performance Measurement and Reporting

1. Prepare quarterly evaluation reports on the performance of STRS' investment managers including a comparison with the performance of other managers with similar mandates.
2. Provide STRS with quarterly and annual performance analysis on the total fund including comparison to other retirement systems.
3. Provide STRS with quarterly and annual performance reports of theoretical portfolios, i.e., market indices, benchmarks, and composite total fund portfolio.
4. Present reports identified above semi-annually to the Investment Committee of the Board.

E. Research and Analysis

1. Prepare comprehensive analyses and provide advice on specific pension issues as requested by the Board.
2. Prepare and present analysis on current issues as they may pertain to STRS' investment portfolio.

F. Investment Training

1. Provide training to the Board on investment topics covered under this Agreement.
2. Participate in the annual planning and review workshop.
3. Conduct workshops on specific issues designated by the Board.

G. Other duties or activities as may be required consistent with and contemplated by the foregoing.

IV. MINIMUM QUALIFICATIONS

The proposer must meet all of the following minimum qualifications to be given further consideration. Failure to satisfy each of the minimum qualifications may result in the immediate rejection of the Proposal.

- A. The firm must provide general pension consulting services to clients with assets totaling at least \$25 billion.
- B. The primary consultant assigned to the STRS account must have a minimum of five (5) years of experience providing domestic and international investment consulting services to public and/or private pension plans.
- C. As of June 30, 1998, the firm must have been in business at least one year.
- D. As of June 30, 1998, the firm must have at least one public pension fund client.

STATE TEACHERS' RETIREMENT SYSTEM
REQUEST FOR PROPOSAL
GENERAL PENSION CONSULTANT

FEE PROPOSAL

.....
Name of Proposer

Proposers must submit their fees for pension consulting services in the format prescribed below. The proposed fees shall include all costs and expenses for providing services to STRS as described in this RFP.

Proposers must complete both Sections A and B of this fee schedule. STRS reserves the right to compensate the successful contractor for services using either the bundled fee as contained in Section A, or the unbundled fee contained in Section B below. The method of payment will be determined by contract, and only one payment method will be employed at any given time.

SECTION A – BUNDLED FEES: Proposers must submit an annual fee for all services as described in Section III, Services to be Provided, of this RFP.

Year 1	\$_____
Year 2	\$_____
Year 3	\$_____
Year 4	\$_____
Year 5	\$_____
Beyond 5 years	\$_____ each year

SECTION B – UNBUNDLED FEES: Please refer to Section III, Services to be Provided, of this RFP for a complete description of services required of the successful contractor.

General (domestic & international)	\$_____ (annually)
Asset allocation (investment policy Portfolio mix and investment strategy)	\$_____ (annually)
Manager Search and Selection occurrence)	\$_____ (per
Performance Measurement and Reporting	\$_____ (quarterly)
Research and Analysis	\$_____ (annually)
Investment Training occurrence)	\$_____ (per

Proposer's Authorized Signature

Date

STATE TEACHERS' RETIREMENT SYSTEM
REQUEST FOR PROPOSAL
GENERAL PENSION CONSULTANT
WRITTEN PROPOSAL EVALUATION SHEET

.....
Name of Proposer

	MAXIMUM POINT <u>SCORE</u>	PROPOSER'S POINT <u>SCORE</u>
A. PROPOSAL QUESTIONNAIRE		
Section I – Organizational Background	25	
Section II – Range of Services	15	
Section III – Policy Issues	20	
Section IV – Manager Search, Selection, and Monitoring	15	
Section V – Reporting	20	
Section VI – Research and Analysis	20	
Section VII – Special Projects	20	
Section VIII – Database Capabilities	15	
Total Item A*	150	
B. Fees	100	
C. Semi-Finalist Interviews**	45	
D. On-site Reviews (Optional)	pass/fail	
E. Finalist Interviews	105	
GRAND TOTAL	400	

* A proposer must receive a minimum score of at least 105 points in Item A of the Proposal Questionnaire to be given further consideration.

** A proposer must receive a minimum score of 32 points on the Semi-Finalist Interview to be given further consideration.

Rater No. _____

Date _____

STATE TEACHERS' RETIREMENT SYSTEM
REQUEST FOR PROPOSAL
GENERAL PENSION CONSULTANT

TIME SCHEDULE:

1. Date of Issue:	<u>November, 1998</u>
2. Deadline for Submission of Written Questions:	<u>December, 1998</u>
3. Final Filing Date:	<u>January, 1999 @4:30 p.m.</u>
4. Prequalification Evaluation:	<u>January, 1999</u>
5. Written Proposal Evaluation:	<u>February, 1999</u>
6. Semi-Finalist Interviews:	<u>February, 1999</u>
7. On-site Reviews/Visits	<u>To be Announced</u>
8. Finalist Interviews	<u>April, 1999</u>
9. Submission of Contract Participation Documentation:	<u>To be Announced</u>
10. Reference Checks:	<u>To be Announced</u>
11. Post Notice of Intent to Award:	<u>Immediately after selection</u>
12. Award of Contract:	<u>5 business days after posting notice</u>

PROPOSED
RESOLUTION
OF THE
TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: Request for Proposal for General Consultant

Resolution No. _____

WHEREAS, the Board is responsible for managing the Teachers' Retirement Fund (Fund), a Pension Fund; and

WHEREAS, the Board desires to retain a firm that is able to provide domestic and international pension investment consulting services; and

WHEREAS, the Committee has reviewed the written material and oral presentation from staff; Therefore be it

RESOLVED, that the Committee hereby approves the following:

1. Release of the Request for Proposal as described in Attachment 1
2. Use of opened ended contracts (Evergreen contracts)

Adopted by:

Investment Committee

on _____

James D. Mosman
Chief Executive Officer